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FISCAL IMPACT STATEMENT

LS 6532

BILL NUMBER: SB 204

NOTE PREPARED: Dec 17, 2005

BILL AMENDED:

SUBJECT: Health Coverage Options.

FIRST AUTHOR: Sen. Drozda

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows, under certain circumstances, an accident and sickness insurer or a health maintenance organization (HMO) to provide a policy or contract without complying with all health benefit mandates.

The bill authorizes health benefit purchasing cooperatives.

The bill also requires insurers and HMOs to report specified information concerning the policies and contracts to the Department of Insurance (DOI). The bill requires the DOI to report to the Legislative Council.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Reporting Requirements.* The bill requires insurers and HMOs to report specified information to the DOI concerning policies and contracts. The DOI must report this information and other information to the Legislative Council. These provisions will increase DOI administrative expenses. However, it is presumed that the DOI will be able to implement these provisions within its existing level of resources.

Health Benefit Purchasing Cooperatives. The proposal would affect state expenditures if the state joined a cooperative and if expenses incurred while in the cooperative were different from expenses that would have been incurred outside of the cooperative. The specific impact is indeterminable and would depend on state action and the nature of the cooperative.

Cooperatives must file with the Secretary of State and with the DOI Commissioner. The DOI must adopt rules to provide for an employer's termination of participation in a cooperative if the employer experiences financial hardships. These requirements will result in additional administrative expenses for both offices. However, the existing budgets and resources of the offices should be able to cover any additional expense.

Health Benefit Mandates. The impact on the state, if any, is a potential decrease in demand for ICHIA policies. Any impact is likely to be small. However, insurers under existing law might not be willing to provide coverage to an individual who has a specific condition. ICHIA might be the only insurer willing to provide health coverage to the individual. Under the proposal, insurers other than ICHIA might be willing to offer this person a health insurance policy that provides for all other health concerns except concerns related to the specific condition. In this case, the person might choose to purchase the insurance policy with the waiver if at a lower premium cost than an ICHIA policy. (The above example was for illustration purposes only.)

ICHIA Background: All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are ICHIA members. ICHIA determines net premiums, administrative expenses, and incurred losses for the year. Beginning January 1, 2005, 25% of any net loss is assessed members in proportion to their respective shares of total health insurance premiums, and 75% of the net loss is to be paid by the state. Net gains, if any, must be held at interest to offset future losses or allocated to reduce future premiums.

To be eligible for an ICHIA policy, an Indiana resident must show evidence of being denied insurance coverage under any insurance plan that meets or exceeds the minimum requirements for accident and sickness insurance policies issued in Indiana without material underwriting restriction; an insurer has refused to issue insurance except at a rate exceeding the ICHIA plan rate; or the individual is eligible under the federal Health Insurance Portability and Accountability Act (HIPAA). The individual may not be eligible for Medicaid or Medicare. ICHIA provides health coverage to approximately 7,500 individuals. Members who have paid assessments prior to January 1, 2005, may take a credit against premium taxes, adjusted gross income taxes for each calendar year in which the assessments were paid and for succeeding years until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the Association. Members may include in premiums charged for insurance policies amounts sufficient to recoup a sum equal to the amounts paid to the Association.

Explanation of State Revenues:

Explanation of Local Expenditures: *Health Benefit Mandates.* The proposal could affect expenditures of those local units and school corporations that employ not more than 50 employees and that purchase group insurance or HMO coverage. The impact will depend on the number and nature of policies that employers opt to purchase that do not comply with all health benefit mandates. It is unknown if local units would absorb any savings or pass the savings on to employees, as cost sharing of health benefit premiums varies widely by locality.

Health Benefit Purchasing Cooperatives. The proposal would affect local expenditures if the local unit joined a cooperative and if expenses incurred while in the cooperative were different from expenses outside of the cooperative. The specific impact is indeterminable and would depend on local action and the nature of the cooperatives.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources:

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